Growth in Exports, March 2019

Why in news?

Recently-released data from the Ministry of Commerce and Industry shows growth in exports in India.

What is the trade scenario?

- India's goods exports picked up in March, 2019 boosted by the weaker rupee, despite a slowdown in global trade growth.
- Merchandise exports rose 11.02% to $32.55 billion in March from a year earlier, the highest such growth for several months.
- Twenty of the 30 overall product lines saw an increase in exports, including chemicals, pharmaceuticals and petroleum products.
- Merchandise imports were up 1.44% to $43.44 billion during the same period.
- Oil imports, the biggest item in the import bill, rose 5.55%, driven by a rise in Indian demand and increases in global crude prices.
- Total exports of goods and services were estimated at $535.45 billion in the recently ended financial year, up 7.97% from a year earlier.
- The total imports are estimated at $631.29 billion, up 8.48%.
- On a different note, trade numbers for 2018 showed India-China trade deficit falling by a significant $10 billion.
- This is mainly because of a sizeable increase in exports by India.
- However, during the same period, there was a sharp rise in Hong Kong's export to India of the same goods that India was buying from China.

What is the concern?

- 2018-19 exports, in dollar terms, has come in as being marginally higher than in 2013-14, after long years of stagnation.
- However, exports measured as a proportion of GDP have not kept pace.
- The trade deficit in March 2019 was $10.9 billion, which is $1.3 billion more than in the previous month.
- Although exports grew in 2018-19, imports grew even more sharply.
- Thus the trade deficit for 2018-19 was over $176 billion, compared to over $161 billion in the previous year.

What is the welcome development?

- The “core” trade balance (removing oil and gold) showed a surplus and not a deficit for the first time since February 2014.
- It is perhaps too soon to declare that a five-year-long trend of weak core exports is over.
- But the recent development is worth noting and seems to suggest some scope in the sector.
- Notably, this has come despite the fact that many Southeast Asian competitor economies are dealing with sluggish export growth.

What are the driving factors?

- Exports growth did contribute to the above development in trade deficit, but this is not the only factor.
- The government’s effort to crack down on imports of electronic goods, often through the use of tariffs, has also played a role.
- Electronic goods imports went down for the second successive month in March, 2019.

How does the future look?

- **Exports** - The prospects for exports look very challenging going forward.
- This is especially given the slowdown in global trade amid trade tensions between the U.S. and China.
- **BoP** - The recent numbers on trade are too soon to celebrate about a new and healthy balance of payments.
- This is because the basic vulnerabilities of India’s economy on the external account have not been addressed.
- As and when crude oil imports increase once again, there is no doubt that the balance of payments will be correspondingly stressed.
- A strong revival of domestic demand would also raise both the oil and non-oil import bill sufficiently to make it difficult to finance.

What should be done?

- India imports over 80% of its crude oil. To not to be subjected to the associated vagaries, India has to ensure that growth in exports is sustainable.
- Government should make exports its top priority, as this sector also has a huge potential for creating jobs, the most pressing need now.
- Exports should be properly backed by procedures and reforms that ensure its stability and competitiveness.
- Reform of processes around the goods and services tax is also a key priority

at this end.

Source: Livemint, Business Standard, Economic Times

Author: Shankar IAS Academy Coimbatore

Visit for Daily Current Affairs on Indian Economy

